

Bill Provides Tax Cuts and Access to Capital for Small Businesses

Fiscally Responsible Legislation Will Create up to 500,000 Jobs

Washington, DC – Today, Congressman John Adler supported and helped pass a fiscally responsible jobs bill that could create up to 500,000 jobs. The bill includes increased write-offs, the extension of certain tax cuts, and methods to increase lending by community banks. The bill will not add to the deficit, and is expected to return \$1.1 billion to the Treasury over the next 10 years.

"Small businesses are the backbone of our economy," Congressman John Adler said. "We need to make sure our small business community has the necessary capital to create private sector jobs and grow our economy. Tax cuts, spending cuts and increased private lending are crucial tools to getting our nation's economy back on track. This legislation is a big step in the right direction."

Background:

Last week, the Senate sent the Small Business Jobs Act of 2010 to the House. Today's passage sends this important piece of legislation, which received the backing of the U.S. Chamber of Commerce, to the President's Desk for his signature.

The bill intends to spur economic growth and private sector job creation by increasing lending by small banks, and giving small businesses tax breaks. Below are the ways the legislation seeks to accomplish these goals:

Tax Breaks:

This legislation includes an estimated \$12 billion in tax breaks for small businesses. This tax relief can help small businesses expand and hire more workers. Tax breaks include:

- a 100 percent exclusion from capital gains taxes on small business investments made in 2010;
- a temporary increase in the maximum deduction for start-up expenditures from \$5,000 to \$10,000, subject to a \$60,000 cap, for 2010 and 2011;
- an increase in the Section 179 expensing provision to allow small businesses to immediately expense up to \$500,000, which is double the previous expensing figure of \$250,000;
- allows self-employed taxpayers to deduct health care costs for payroll tax purposes on their 2010 tax returns;
- extends provisions that allow businesses to immediately write-off 50 percent of the

cost of capital expenditures for an additional year;

- expands bonus depreciations;
- allows small businesses to use general business tax credits to offset an AMT liability; and
- allows small businesses with less than \$50 million in average gross annual receipts for the prior three years, to carry-back unused credits for five years.

Lending:

This bill creates a \$30 billion lending fund which will increase the U.S. Small Business Administration's (SBA) ability to guarantee private loans. The SBA does not write loans; instead, they work with banks to help small businesses receive the capital they need. The fund is expected to leverage up to \$300 billion in loans to small businesses. The following SBA loan programs will also be modified:

- SBA 7(a): The legislation increases loan limits from \$2 million to \$5 million.
- 504 : The limit for 504 loans increases from \$1.5 million to \$5.5 million.
- Microloans: Increase from \$35,000 to \$50,000.